RUSTENBURG LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 3.

The financial statements set out on pages 3 to 95, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mr. Sello Victor Makona
Acting Municipal Manager

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual 2016 R	2015 Restated
ASSETS			
Current Assets		**1 077 502**	**889 726**
Inventories	2	15 305	16 608
Finance lease receivable	14	101	75
Receivables from Exchange Transactions	3 & 5	731 410	336 512
Receivables from Non-exchange Transactions	4 & 5	104 282	36 449
VAT Receivable	6	-	19 854
Cash and Cash Equivalents	7	226 202	480 007
Operating Lease Receivables	8	202	221
Non-Current Assets		**8 393 904**	**7 842 918**
Property, Plant and Equipment	9	8 075 600	7 524 253
Intangible Assets	10	706	706
Investment Property	11	314 328	314 509
Heritage Assets	12	119	119
Non-current Investments	13	802	881
Finance Lease Receivables	14	2 349	2 450
Total Assets		**9 471 405**	**8 732 644**
LIABILITIES			
Current Liabilities		**979 845**	**1 149 881**
Consumer Deposits	15	41 174	28 160
Other Financial Liabilities	16	24 189	21 712
Financial Lease obligation	20	6 755	8 257
Operating Lease Liability	8	6	8
Employee Benefit Obligation	17	4 901	4 305
Payables	19	614 486	637 932
VAT Payable	6	16 827	-
Unspent Conditional Grants and Receipts	21	258 978	434 450
Provisions	18	12 529	15 057
Non-Current Liabilities		**741 370**	**722 225**
Other financial liabilities	16	475 402	499 681
Finance lease obligation	20	-	6 755
Employee Benefit Obligation	17	194 296	173 969
Provisions	18	71 672	41 820
Total Liabilities		**1 721 214**	**1 872 106**
Total Assets and Liabilities		**7 750 191**	**6 860 538**
NET ASSETS		**7 754 086**	**6 860 546**
Accumulated Surplus / (Deficit)	22	7 754 086	6 860 546
Total Net Assets		**7 754 086**	**6 860 546**

RUSTENBURG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual 2016 R	2015 R Restated
REVENUE			
Revenue from Non-exchange Transactions			
Taxation revenue			
Property Rates	23	282 845	264 534
Transfer revenue			
Fines		25 568	8 092
Government Grants and Subsidies Received	24	1 140 937	1 001 789
Donation in kind		-	83 455
Total Revenue from Non-exchange Transactions		**1 449 350**	**1 357 870**
Revenue from Exchange Transactions			
Service Charges	25	2 192 982	2 037 873
Rental of Facilities and Equipment	26	9 047	7 219
Licences and Permits		10 651	10 449
Income for Agency Services		18 572	20 940
Interest Earned - Other	27	32 169	32 211
Interest Earned - Outstanding Debtors	27	143 784	132 936
Other Income	28	46 014	35 041
Total Revenue from Exchange Transactions		**2 453 219**	**2 276 669**
Total Revenue		**3 902 569**	**3 634 539**
EXPENDITURE			
Employee Related Costs	29	611 839	557 651
Remuneration of Councillors	30	28 318	27 592
Collection Costs		15 265	15 036
Depreciation and Amortisation	31	55 212	346 846
Impairment Losses	32	16 508	426 692
Repairs and Maintenance		142 524	110 858
Lease rentals on operating lease		8 741	12 496
Finance Costs	33	54 512	44 998
Bulk Purchases	34	1 686 590	1 515 541
Contracted Services	35	158 038	233 244
Transfers and Subsidies	36	29 151	26 634
General Expenses	37	176 324	188 933
Total Expenditure		**2 983 023**	**3 506 521**
SURPLUS / (DEFICIT) FOR THE YEAR		**919 546**	**128 018**
Gain on disposal of assets and liabilities		11 132	368
Fair value adjustments	46	-	42
Actuarial gains/losses	17 & 18	743	12 397
Surplus (deficit) for the year		**931 421**	**140 825**

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Accumulated Surplus/(Deficit) Account	Total Net Assets
Opening balance as previously reported	6 855 469	6 855 469
Adjustments	-	-
Correction of errors	(33 633)	(33 633)
Balance at 01 July 2013 as restated*	**6 821 836**	**6 821 836**
Changes in net assets		
Surplus (Deficit) for the year - Previously reported	(71 659)	(71 659)
Total changes	(71 659)	(71 659)
Opening balance as previously reported - Restated	**6 750 177**	**6 750 177**
Adjustments		
Correction of errors	(29 964)	(29 964)
Restated* Balance at 01 July 2014 as restated*	**6 720 213**	**6 720 213**
Changes in net assets	-	-
Surplus for the year	140 979	140 979
Total changes	140 979	140 979
Balance at 30 June 2015	**6 861 192**	**6 861 192**
Opening balance as previously reported - Restated	**6 861 192**	**6 861 192**
Surplus (Deficit) for the year - Previously reported	(140 979)	(140 979)
Surplus for the year	**140 825**	140 825
Correction of errors	**(492)**	**(492)**
Restated* Balance at 01 July 2015 as restated*	**6 860 546**	**6 860 546**
Surplus for the year	931 421	931 421
Correction of errors	(37 881)	(37 881)
Balance at 30 June 2016	**7 754 086**	**7 754 086**

Note 22 & Note 38

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual 2016 R	2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services			2 325 855
Grants		1 140 937	1 001 790
Interest income		175 953	165 147
Other receipts			94 641
		1 316 890	**3 587 433**
Payments			
Employee Related Costs		(615 905)	(574 842)
Suppliers			(1 901 858)
Finance Costs		(54 512)	(44 999)
Other Payments			(481 110)
		(670 417)	**(3 002 809)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**39**	**646 472**	**584 624**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**9**		(773 802)
Proceeds on Disposal of Property, Plant and Equipment and Inv	**9**		17 899
Purchase of other intangible assets	**10**		-
Increase in investments			-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**-**	**(755 903)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other financial liabilities		-	258 000
Repayment of other financial liabilities		(21 803)	(23 462)
Finance lease payments		(6 755)	(8 288)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(28 558)**	**226 250**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**617 915**	**54 971**
Cash and Cash Equivalents at Beginning of Period		480 007	425 036
Cash and Cash Equivalents at End of Period	**7**	**1 097 922**	**480 007**

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

	Approved budget	Adjustments	Final budget	Actuals on comparable basis	Difference between final budget and actual	Reference
REVENUE						
Revenue from Non-exchange Transactions						
Taxation revenue						
Property Rates	281 992	1 690	283 682	282 845	837	51
Transfer revenue						
Fines	10 817	0	10 817	25 568	(14 751)	51
Government Grants and Subsidies Received	543 309	-	543 309	1 140 937	(597 628)	51
Donation in kind	-	-		-	-	51
Total Revenue from Non-exchange Transactions	836 118	**1 690**	**837 808**	**1 449 350**	**(611 542)**	
Revenue from Exchange Transactions						
Service Charges	2 442 759	(1 690)	2 441 069	2 192 982	248 087	51
Rental of Facilities and Equipment	10 050	(200)	9 850	9 047	803	51
Licences and Permits	9 892	-	9 892	10 651	(759)	51
Income for Agency Services	18 186	-	18 186	18 572	(386)	51
Interest Earned - Other	25 671	175	25 846	32 169	(6 323)	51
Interest Earned - Outstanding Debtors	139 620	-	139 620	143 784	(4 164)	51
Other Income	28 990	-	28 990	46 014	(17 024)	51
Total Revenue from Exchange Transactions	2 675 168	**(1 715)**	**2 673 453**	**2 453 219**	**220 234**	
Total Revenue	3 511 286	**(25)**	**3 511 261**	**3 902 569**		
EXPENDITURE						
Employee Related Costs	559 172	10	559 182	611 839	(52 657)	51
Remuneration of Councillors	29 186	-	29 186	28 318	868	51
Collection Costs	16 722	-	16 722	15 265	1 457	51
Depreciation and Amortisation	271 210	-	271 210	55 212	215 998	51
Impairment Losses	301 719	-	301 719	16 508	285 211	51
Repairs and Maintenance	133 348	(11 590)	121 758	142 524	(20 766)	51
Lease rentals on operating lease	9 734	-	9 734	8 741	993	51
Finance Costs	36 948	3 856	40 804	54 512	(13 708)	51
Bulk Purchases	1 694 821	(12 000)	1 682 821	1 686 590	(3 769)	51
Contracted Services	161 541	29 866	191 407	158 038	33 369	51
Transfers and Subsidies	24 314	8 980	33 294	29 151	4 143	51
General Expenses	146 370	23 596	169 966	176 324	(6 358)	51
Total Expenditure	3 385 085	**42 718**	**3 427 803**	**2 983 023**	**444 780**	
SURPLUS / (DEFICIT) FOR THE YEAR	126 201	**(42 743)**	**83 458**	**919 546**	**(444 780)**	
Gain on disposal of assets and liabilities	12 000	-	12 000	11 132	868	51
Fair value adjustments		-		-		51
Actuarial gains/losses		-		743		51
Surplus (deficit) for the year	138 201	**(42 743)**	**95 458**	**931 421**	**(443 912)**	

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, rounded off to the nearest thousand Rand, which is the municipality's functional currency.

1.2 Going concern assumption

These financial statements have been prepared on a going concern basis.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated based on an assessment of the extent to which trade receivables have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This was performed per significant trade receivables first and then for all classes of trade receivables.

Allowance for slow moving, damaged and obsolete stock

An allowance / provision to write down stock to the lower of cost or net realisable value is made. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Useful lives

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their conditions will be at that time. It is a subjective estimate based on management's experience.

1.3 Significant judgements and sources of estimation uncertainty (continued) Post - employment medical benefits

The cost of post - employment medical benefitsis determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future medical fund contributions increases and mortality rates. Due to the long - term nature of these plans, such estimates are subject to significant uncertainty.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	20 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows
All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation).
A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality) and a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of investment property and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate :
Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale.
Property being constructed or developed on behalf of third parties.
Property that is being constructed or developed for future use as investment property.
Properties that is leased to another entity under a finance lease.
Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income facilities, etc.
Property held for strategic purposes or service delivery.
Property being constructed or developed on behalf of third parties.
Owner-occupied property, including (among other things) property held for future use as Owner-occuped property, property held for future development and subsequent use as Owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and Owner- occupied property awaiting disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property,
Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets and commences when an asset is ready for its intended used.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Depreciation method**	**Average useful life**
Infrastructure		
Roads	Straight Line	30
Paving	Straight Line	20
Electricity	Straight Line	20-30
Water	Straight Line	15-20
Sewerage	Straight Line	20-30
Housing	Straight Line	30
Buildings	Straight Line	30
Other vehicles	Straight Line	5
Office equipment	Straight Line	5
Computer Equipment & Software	Straight Line	5
Specialist vehicles	Straight Line	7
Security	Straight Line	5
Furniture and fittings	Straight Line	7
Bins and containers	Straight Line	10
Specialised plant and equipment	Straight Line	15
Other items of plant and equipment	Straight Line	5
Landfill sites	Straight Line	20
Buildings	Straight Line	30
Recreational Facilities	Straight Line	20-30

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and us recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The useful life and residual value of assets are assessed annually to determine the appropriateness of management's initial estimate. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of

Bulk water assets - Rustenburg Water Services Trust

The Trust maintains and acquires assets to provide a social service to the community, as well as to sell water to the surrounding mines. The usefull lives andeconomic useful lives of these assets are equal. After the loan have been paid up, all assets will revert back to the parent municipality.
The Trust depreciate separately each part of an item of Property, Plant and Equipment that has a cost that is significant in relation to the total cost of the item. Cost of replacing a part are capitalised and the existing parts being replaced are derecognised. The assets were revalued on 30 June 2012 by an independent party. Fair values were determined by obtaining quotations for the different asset types and determining Depreciated Replacement Cost.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Licenses and franchises	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Investments

Investments are carried at cost less any accumulated impairment. The cost of an investment in controlled entity is the aggregate of:
the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
any costs directly attributable to the purchase of the controlled entity.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any
A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums
or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
cash;
a residual interest of another entity; or
a contractual right to:
- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
deliver cash or another financial asset to another entity; or
exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial
A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A
residual interest includes contributions from owners, which may be shown as:
equity instruments or similar forms of unitised capital;
a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
the entity designates at fair value at initial recognition; or
are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
derivatives;
combined instruments that are designated at fair value;
instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-exchange Transctions	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at fair value
Investment	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer Deposits	Financial asset measured at fair value
Payables from Exchange and Non-exchange Transactions	Financial asset measured at amortised cost
Long-term Liabilities	Financial asset measured at amortised cost

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions
(Taxes and Transfers), where it is the recipient of the loan

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
combined instrument that is required to be measured at fair value; or
an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required [illegible]

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets
The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original
effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition
Financial assets
The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:
the contractual rights to the cash flows from the financial asset expire, are settled or waived;
the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values
at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.
If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities
The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation
Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis,
or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.
The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance
charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance
of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.
The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

The cost of inventories (consumable stores, raw materials, work-in-progress and finished goods) is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each seperately identifiable development. Costs also include a proportion of overhead costs.

Water is regarded as inventory when the municipality purchase water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water are valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.
Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
its recoverable amount (if determinable); and
the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the
Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use
Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as
the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation
The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
an entity's decision to terminate an employee's employment before the normal retirement date; or
an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months
Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post- employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits
Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
wages, salaries and social security contributions;
short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.
The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.
The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the
entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
the present value of the defined benefit obligation at the reporting date;
minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
the amount determined above; and
the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the
The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
current service cost;
interest cost;
the expected return on any plan assets and on any reimbursement rights;
actuarial gains and losses;
past service cost;
the effect of any curtailments or settlements; and
the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
any resulting change in the present value of the defined benefit obligation; and

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions
Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
estimated future salary increases;
the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
those changes were enacted before the reporting date; or
past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
the present value of the defined benefit obligation at the reporting date;
minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
current service cost;
interest cost;
the expected return on any plan assets and on any reimbursement right recognised as an asset;
actuarial gains and losses, which shall all be recognised immediately;
past service cost, which shall all be recognised immediately; and
the effect of any curtailments or settlements.

1.16 Provisions and contingencies

Provisions are recognised when:
the municipality has a present obligation as a result of a past event;
it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.
If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the entity, supplemented by the experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under
an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this is unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44 to anable users to determine the risk involved.

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurance or non-occurence of one or more uncertain future events not wholly within the control of the entity.

A Contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets thay arise from past events and whose existence will be confirmed only by an occurance or non-occurance of one or more uncertain future events not wholly within the control of the entity.

1.17 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of resources/cash.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.
Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
the amount of revenue can be measured reliably;
it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date
and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.
Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non- exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. A composite rating system charging different rate tarrifs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Collection charges are recognised when such amounts are legally enforceable (property rates). Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rate revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

The municipality has to types of fines, spot fines and summonses. The municipality recognise the full amount of revenue at the transaction date. Subsequent to initial ecognition

Goverment Grants and other grants

Equitable share allocation are recognised in revenue at the start of the financial year if no time-based restrictions exist. Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any
of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the
asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The muniipality assesses the degree of certainty attached to the flow of future economic benefits or service potential based onthe available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

If goods in kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:
foreign currency monetary items are translated using the closing rate;
non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014-07-01 to 2015-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

Related party relationships are disclosed regardless if any transactions took place between the parties during the reporting period.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
and
those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 18: Segment Reporting	01-Apr-15	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
GRAP 20: Related parties	01-Apr-16	The impact of the amendment is not material.
IGRAP 11: Consolidation – Special purpose entities	01-Apr-15	The impact of the amendment is not material.
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01-Apr-15	The impact of the amendment is not material.
GRAP32: Service Concession Arrangements: Grantor	01-Apr-16	The impact of the amendment is not material.
GRAP108: Statutory Receivables	01-Apr-16	The impact of the amendment is not material.
IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01-Apr-16	The impact of the amendment is not material.
DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01-Apr-16	The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 105: Transfers of functions between entities under common control	01-Apr-15	Standard is not relevant to date on the municipality
GRAP 106: Transfers of functions between entities not under common control	01-Apr-15	Standard is not relevant to date on the municipality
GRAP 107: Mergers	01-Apr-15	Standard is not relevant to date on the municipality
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01-Apr-15	Standard is not relevant to date on the municipality
GRAP 7 (as revised 2010): Investments in Associates	01-Apr-15	Standard is not relevant to date on the municipality
GRAP 8 (as revised 2010): Interests in Joint Ventures	01-Apr-15	Standard is not relevant to date on the municipality

Figures in Rand Thousand

	2016 R	2015 R

1. GENERAL INFORMATION

Rustenburg Local Municipality (the municipality) is a local government institution in Rustenburg, North West Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2016 R	2015 R
Consumable Stores - at cost	14 768	16 176
Water - at cost	537	432
Total Inventories	**15 305**	**16 608**

Consumables stores consists of maintenance material and spare parts.

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Prepaid expenses	-	-
Electricity	-	251 063
Refuse	-	6 527
Sewerage	-	6 896
Other Debtors	-	13 308
Water	-	53 157
Consumer Debtors - Other	-	5 561
	-	**336 512**

Fair value of trade and other receivables

Trade and other receivables	**-**	**336 512**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due not considered to be impaired. At 30 June 2015, R39 355 (2014: R 55 767) were past due not impaired.

The ageing of months past due but not impaired is as follows:

2 months past due		39 355

Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R 2 102 857 (2014: R 1 679 733) were impaired and provided for.

The amount of the provision was R 423 124 as of June 2015 (2014: R 454 590).

Reconciliation of the Provision for Impairment

	2016 R	2015 R
Opening balance	-	1 679 733
Provision for impairment	-	423 124

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016 R	2015 R
Assessment Rates Debtors		22 193
Payments made in Advance	3 002	3 002
Short-term Loans	4 185	3 379
Sundry Debtors	22 095	5 473
Insurance Claims	516	404
Fines	5 046	1 998
Total Receivables from Non-exchange Transactions	**34 844**	**36 449**

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 1 month past due are not considered to be impaired. At 30 June 2016, R 2 663 (2015: R 2 105) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due		2 663

Receivables from non-exchange transactions impaired

The ageing of these is as follows in rates and other receivables:

Current:		16 308
31 - 60 Days		5 220
61 - 90 Days		2 663

Figures in Rand Thousand

	2016 R	2015 R
Reconciliation of Provision for Impairment		
Balance at beginning of year	-	162 195
Impairment Losses recognised	-	37 126
Balance at end of year	**-**	**199 321**

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

Figures in Rand Thousand

5 CONSUMER DEBTORS DISCLOSURE

Gross balances		
Consumer debtors - Rates		194 220
Consumer debtors - Electricity		476 972
Consumer debtors - Water		801 527
Consumer debtors - Sewerage		178 965
Consumer debtors - Refuse		220 926
Consumer debtors - Other		747 672
	-	**2 620 282**
Less: Allowance for impairment		
Consumer debtors - Rates		(172 027)
Consumer debtors - Electricity		(225 908)
Consumer debtors - Water		(748 371)
Consumer debtors - Sewerage		(172 068)
Consumer debtors - Refuse		(214 399)
Consumer debtors - Other		(742 111)
	-	**(2 274 884)**
Net balance		
Consumer debtors - Rates		22 193
Consumer debtors - Electricity		251 063
Consumer debtors - Water		53 157
Consumer debtors - Sewerage		6 896
Consumer debtors - Refuse		6 527
Consumer debtors - Other		5 561
		345 397
Included in above is receivables from exchange transactions		
Electricity		251 063
Water		53 157
Sewerage		6 896
Refuse		6 527
Other		5 561
	-	**323 204**
Included in above is receivables from nonexchange transactions (taxes and transfers)		
Rates		22 193
Net balance	**-**	**345 397**
Rates		
Current (0 -30 days)		14 310
31 - 60 days		5 220
61 - 90 days		2 663
		22 193
Electricity		
Current (0 -30 days)		156 676
31 - 60 days		61 173
61 - 90 days		33 214
	-	**251 063**
Water		
Current (0 -30 days)		42 741
31 - 60 days		7 733
61 - 90 days		2 683
	-	**53 157**
Sewerage		
Current (0 -30 days)		4 153
31 - 60 days		1 824
61 - 90 days		919
	-	**6 896**
Refuse		
Current (0 -30 days)		3 845
31 - 60 days		1 799
61 - 90 days		883
	-	**6 527**
Other		
Current (0 -30 days)		1 438
31 - 60 days		2 469
61 - 90 days		1 654
	-	**5 561**

CONSUMER DEBTORS DISCLOSURE (continued)

Summary of debtors by customer classification		
Households & Other		
Current (0 -30 days)		257 571
31 - 60 days		118 182
61 - 90 days		73 876
>91 - days		1 949 023
	-	2 398 652
Less: Allowance for impairment		(2 091 304)
	-	**307 348**

Industrial/ commercial

Figures in Rand Thousand		
Current (0 -30 days)		21 769
31 - 60 days		2 124
61 - 90 days		1 726
>91 - days		77 086
	-	102 705
Less: Allowance for impairment		(80 111)
	-	**22 594**

Government		
Current (0 -30 days)		19 134
31 - 60 days		12 507
61 - 90 days		5 548
>91 - days		81 736
	-	118 925
Less: Allowance for impairment		(103 469)
	-	**15 456**

Total debtor past due but not impaired	
2 month older	42 018

Figures in Rand Thousand

6 VAT RECEIVABLES

VAT	-	19 856

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Included i the above amount is an amount of R6 407 that relates to adjustments from SARS for which no transaction breakdown was received to indicate the nature and type of the disallowments relating to transactions. This amount is recorded as a reconciling item till reason for disallowment can be investigated.

7 CASH AND CASH EQUIVALENTS

Short-term deposits	195 953	405 325
Bank balances	30 236	74 669
Cash on hand	13	13
	226 202	**480 007**

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances and Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair value.

Bank and Cash Equivalents

The municipality had the following bank accounts

Account number / description	**Bank Statements Balances**		
	30 June 2016	**30 June 2015**	**30 June 2014**
Primary Bank Account - ABSA - Main Branch Rustenburg - Account number 1220000458	33 731	73 178	66 542
Housing Bank Account - ABSA - Main Branch Rustenburg - 4054617192	14 091	18 553	18 992
Total	**47 822**	**91 731**	**85 534**

The municipality had the following bank accounts

Account number / description	**Cash Book Balances**		
	30 June 2016	**30 June 2015**	**30 June 2014**
Primary Bank Account - ABSA - Main Branch Rustenburg - Account number 1220000458	16 145	56 116	56 611
Housing Bank Account - ABSA - Main Branch Rustenburg - 4054617192	14 091	18 553	18 992
Total	**30 236**	**74 669**	**75 603**

	2016	**2015**
ABSA Call Account	5 498	5 401
First National Bank	-	-
ABSA	307	1 239
Nedbank	21 888	113 298
Standard Bank	61 047	184 989
Kagiso Asset Management	52 547	49 302
Sanlam	54 070	50 506
ABSA Guarantee Deposits	596	590
Short term Portion of Investments	**195 953**	**405 325**

Figures in Rand Thousand

8 OPERATING LEASE ASSETS / RECEIVABLES

Current assets	202	221
Current liabilities	(6)	(8)
	196	**213**

Operating leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	221	232
Operating Lease Revenue	(19)	(11)
Total Operating Lease Assets	**202**	**221**

Balance at beginning of year	(8)	(7)
Operating Lease Payable	2	(1)
Subtotal	**(6)**	**(8)**

Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 years. With yearly escalation rates of between of 5% - 12%.

Amounts receivable under Operating Leases
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	155	141
2 to 5 years	348	472
More than 5 years	80	111
	583	**724**

Total Operating Lease Arrangements

The impact of charging the escalations in Operating Leases on a straight-line basis over the lease through the Statement of Financial Performance is a decrease in current year income of R19 (2014: R11).

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

Accounts payable under Operating Leases:
At the reporting date the following minimum lease payments were receivable/payable under non-cancellable operating leases for property, plant and equipment, which are payable as follows:

Up to 1 year	59	56
2 to 5 years	10	68
	69	**124**

Total Operating Lease Arrangements

The impact of charging the escalations in Operating Leases on a straight-line basis over the lease through the Statement of Financial Performance is a decrease in current year expenditure of R2 (2015: increase R1).

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

Figures in Rand Thousand

	2 016			2 015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land				1 077 824	-	1 077 824
Buildings				1 301 512	(667 888)	633 624
Buildings - Work in progress				264 327	-	264 327
Plant and machinery				47 591	(29 490)	18 101
Furniture and fixtures				18 290	(11 848)	6 442
Motor vehicles				86 949	(49 979)	36 970
Office equipment				54 346	(24 137)	30 209
Bins and containers				3 533	(1 522)	2 011
Other				2 814	(1 698)	1 116
Electrical Equipment				13 464	-	13 464
Emergency Equipment				3 668	(2 409)	1 259
Specialised vehicles				47 864	(23 208)	24 656
Infrastructure - Sewerage				801 349	(466 724)	334 625
Infrastructure - Electricity				1 120 543	(455 462)	665 081
Infrastructure - Roads and Transport				3 788 892	(1 905 975)	1 882 917
Infrastructure - Water				1 063 578	(652 717)	410 861
Infrastructure - Work in progress				2 120 766	-	2 120 766
Total	**-**	**-**	**-**	**11 817 310**	**(4 293 057)**	**7 524 253**

Reconciliation of property, plant and equipment - 2016

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Work in progress**	**Depreciation**	**Impairment loss**	**Impairment reversal**	**Total**
Land									-
Buildings									-
Buildings - Work in progress									-
Plant and machinery									-
Furniture and fixtures									-
Motor vehicles									-
Office equipment									-
Bins and containers									-
Other									-
Electrical Equipment									-
Emergency Equipment									-
Specialised vehicles									-
Infrastructure - Sewerage									-
Infrastructure - Electricity									-
Infrastructure - Roads and Transport									-
Infrastructure - Water									-
Infrastructure - Work in progress									-
	-	-	-	-	-	-	-	-	-

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Work in progress**	**Depreciation**	**Impairment loss**	**Impairment reversal**	**Total**
Land	1 059 788	32 066	(14 030)	-	-	-	-	-	1 077 824
Buildings	734 371	-	(3 338)	-	-	(97 409)	-	-	633 624
Buildings - Work in progress	221 208	43 119	-	-	-	-	-	-	264 327
Plant and machinery	24 683	34	-	-	-	(6 576)	(150)	110	18 101
Furniture and fixtures	7 568	171	(21)	-	-	(1 247)	(134)	106	6 443
Motor vehicles	44 717	-	(90)	-	-	(7 658)	(256)	257	36 970
Office equipment	38 197	232	(47)	-	-	(8 138)	(219)	184	30 209
Bins and containers	2 314	-	-	-	-	(303)	-	-	2 011
Other	1 447	-	-	-	-	(330)	-	-	1 117
Electrical Equipment	9 546	3 918	-	-	-	-	-	-	13 464
Emergency Equipment	1 999	-	-	-	-	(738)	(9)	7	1 259
Specialised vehicles	24 392	2 898	-	-	-	(2 634)	(9)	9	24 656
Infrastructure - Sewerage	358 550	2 115	-	-	-	(26 040)	-	-	334 625
Infrastructure - Electricity	706 819	-	-	-	-	(41 737)	-	-	665 082
Infrastructure - Roads and Transport	1 929 724	46 101	-	-	-	(92 908)	-	-	1 882 917
Infrastructure - Water	463 038	755	-	-	-	(52 935)	-	-	410 858
Infrastructure - Work in progress	1 478 373	683 805	-	(48 971)	7 559	-	-	-	2 120 766
	7 106 734	815 214	(17 526)	(48 971)	7 559	(338 653)	(777)	673	7 524 253

Figures in Rand Thousand

	2016 R	2015 R

10 INTANGIBLE ASSETS

	2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software, other	3 019	-2 313	**706**

Controlling entity	2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software, other			

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other	1 241	-521	-14	706

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other				

Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance.

All of the municipality's Intangible Assets are held under freehold interest and no intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

11 INVESTMENT PROPERTY

	2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	374 463	-59 954	**314 509**

	2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property			

Reconciliation of investment property - 2016

	Opening balance	Transfers received	Depreciation	Total
Investment property				

Reconciliation of investment property - 2015

	Opening balance	Transfers received	Depreciation	Total
Investment property	238 726	83 454	-7 671	**314 509**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of

Figures in Rand Thousand

12 HERITAGE ASSETS

	2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Jewellery	119		**119**

	2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Jewellery			

Reconciliation of heritage assets - 2015

	Opening balance	Total
Jewellery	119	119

Reconciliation of heritage assets - 2015

	Opening balance	Total
Jewellery		

Figures in Rand Thousand

13 NON-CURRENT INVESTMENTS

Name of company	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Listed				
Listed Shares- 13271				
Sanlam shares	0%	0%	801	880
Unlisted				
Investment in Municipal Entity - at cost	100%	100%	1	1
			802	**881**

Detail

Market value of listed investment is 2016: R801, (2015: R880).

14 FINANCE LEASE RECEIVABLES

	2016 R	2015 R
Present value of minimum lease payments due		
Within one year	101	75
In the second to fifth years, inclusive	755	605
Over five years	1 593	1 845
Total Finance Lease Receivables	**2 450**	**2 525**

	2016 R	2015 R
Included in the Annual Financial Statements as:		
Non-current Finance Lease Receivables	2 349	2 450
Current Finance Lease Receivables	101	75
Total Finance Lease Receivables	**2 450**	**2 525**

Lease agreements:

A finance lease was granted to the entity (RWST) for water plant transferred by the municipality to the RWST. The lease is repayable over twenty years, in half yearly payments at the end of June and December, with the last instalment due on 30 June 2025. The interest rate implicit in the lease is 11%. All leases are denominated in Rand Currency Unit.

Management of the municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Figures in Rand Thousand

15 CONSUMER DEPOSITS

Electricity and Water	41 174	28 160
Guarantees		
Guarantees held for retentions on supplier accounts	30 030	30 514

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

16 OTHER FINANCIAL LIABILITIES

At amortised cost		
INCA The loan is repayable in equal installments of R4 002 at the end of February and August every year, with the final installment payable 29 February 2024. The loan bears interest at 13.82%.	39 776	42 368
ABSA Loan 30-1798-1971 The loan is repayable in installments of R1 448 payable at the end of May and November, with the final installment payable 31 May 2020. The loan bears interest at 11.73%.	9 460	11 094
ABSA Loan 30-1798-2317 The loan is repayable in installments of R1 456 payable at the end of May and November, with the final installment payable 30/06/2021. The loan bears interest at 11.95%.	11 559	12 949
ABSA Loan 30-2236-2516 The loan is repayable in installments of R1 489 payable at the end of May and November, with the final installment payable 30/06/2022. The loan bears interest at 11.95%.	12 535	13 880
DBSA Loan 61007193 The loan is repayable in 6 monthly installments in December and June, with the redemption date of 2 July 2029. The loan bears interest at 9.90%.	282 489	292 789
DBSA Loan 61007264 The loan is repayable in 6 monthly installments in December and June, with the redemption date of 28 June 2030. The loan bears interest at 10.07%.	143 772	148 312
Total other financial liabilities	**499 590**	**521 392**

The management of the municipality is of the opinion that the carrying value of Other financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair value.

The ABSA Bank loan of R178 643 in 2015 and R195 544 in 2014 is secured by: - a general notarial bond over the movable assets of the trust, - a cession of the Rustenburg Lease Agreement, - the Debt Service Reserve Account, the Contingent Reserve Account and the Industrial Contingent Reserve Account.

Non-current liabilities		
At amortised cost	**475 402**	**499 681**
Non-current liabilities		
At amortised cost	**24 189**	**21 712**

17 EMPLOYEE BENEFIT OBLIGATION

Defined benefit plan

10.1 Post-retirement Health Care Benefits Liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	1 358	1 255
In-service Non-members (Employees)	458	436
Continuation Members (Retirees, widowers and orphans)	125	124
Total Members	**1 941**	**1 815**

The liability in respect of past service has been estimated as follows:

In-service Members	118 548	106 247
Continuation Members	66 292	58 540
In-service - Non Members	14 357	13 487

Figures in Rand Thousand

Total Liability	**199 197**	**178 274**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid
- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation unfunded	**199 197**	**178 273**
Non-current liabilities	(194 296)	(173 969)
Current liabilities	(4 901)	(4 305)
	(199 197)	**(178 274)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	178 273	171 215
Benefits paid	(4 305)	(4 336)
Net expense recognised in the statement of financial	25 229	11 395
	199 197	**178 274**

	2016	**2015**

Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	10 496	9 714
Interest cost	15 894	15 385
Actuarial (gains) losses	(1 161)	(13 704)
	25 229	**11 395**

Key assumptions used

Assumptions used at the reporting date:

Discount Rate used	9.49%	9.02%
Health Care Cost Inflation Rate	8.52%	8.09%
Net Effective Discount Rate	0.89%	0.76%
Expected Rate of Salary Increase	0.89%	0.76%

The basis on which the discount rate has been determined is as follow:
GRAP25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 9.49% per annum has been used. The corresponding index linked yield at this term is 1.74%. These rates do not reflect any adjustment for taxation. These rates were deducted from the JSE Zero Coupon bond yield after the market close on 30 June 2016.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Expected Retirement Age		
Expected Retirement Age - Female	63	63
Expected Retirement Age - Male	63	63
	126	**126**

Other assumptions

Amounts for the current and previous four years are as follows:

	2013	**2014**	**2015**	**2016**
Accrued liability	139 401	171 215	178 274	199 197

Sensitivity Analysis on Current-service and interest cost for the year ending 30 June 2016	**Current-service cost**	**Interest cost**	**Total**
Central Assumptions	10 496	15 893	26 389
Health care inflation (+1%)	12 658	18 487	31 145
Health care inflation (-1%)	8 632	13 688	22 320
Discount rate (+1%)	8 523	15 051	23 574
Discount rate (-1%)	13 110	16 792	29 902
Post-retirement mortality (-1 year)	10 857	16 497	27 354
Average retirement age (-1 year)	11 248	16 791	28 039
Continuation of membership at retirement	9 328	14 635	23 963
	-	-	-

Sensitivity Analysis on the Accrued Liability - Assumptions & Change for the year ending 30 June 2016	**Current-service cost**	**Interest cost**	**Total**
Central Assumptions	132 905	66 292	199 197
Health care inflation (+1%)	145 419	67 889	213 308
Health care inflation (-1%)	116 448	64 281	180 729

Figures in Rand Thousand

Discount rate (+1%)	110 024	60 997	171 021
Discount rate (-1%)	162 510	72 457	234 967
Post-retirement mortality (-1 year)	137 128	68 684	205 812
Average retirement age (-1 year)	145 189	66 292	211 481
Continuation of membership at retirement (-10)	116 729	66 292	183 021
	-	-	-

Expected contributions for the year ending 30 June 2017 is R4 901

Multi-Employer Retirement Benefit Information

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds are described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Funds and the Municipal Gratuity Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each partcipating employer.

Municipal Councillors Pension Fund:
The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Joint Pension Fund:
Municipal Joint Pension Fund operates as a defined contribution scheme. The contribution rate paidby the members (7.75%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Pension Fund:
National Fund for Municipal Workers operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22,00%) is sufficient to fund the benefits accruising from the fund in the future.

Municipal Employees Pension Fund:
The Municipal Employees Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7,5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

18 PROVISIONS

Reconciliation of provisions - 2016	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	29 989	27 121	(2 382)	54 728
Long-service Awards	26 888	5 382	(2 797)	29 473
	56 877	32 503	(5 179)	84 201

PROVISIONS (Continue)

Reconciliation of provisions - 2015	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	28 793	1 196	-	29 989
Long-service Awards	24 770	5 651	(3 533)	26 888
	53 563	6 847	(3 533)	56 877

Non-current liabilities	71 672	41 820
Current liabilities	12 529	15 057
	84 201	**56 877**

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R44 851 to restore the site at the end of its useful life, estimated to be between 2016 and 2055 for Rustenburg Townlands and Waterval landfill sites.

PROVISIONS (Continue)

Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2016:

Discount rate - 8,63%

Figures in Rand Thousand

General salary inflation - 7.28%
Net discount rate - 1,26%

The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2015:

Discount rate - 8.11%
General salary inflation - 7.12%
Net discount rate - 0.92%

The basis on which the discount rate has been determined is as follow:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.63% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.63% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 1.74%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
	126	**126**

Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	26 888	24 770
Current service cost	2 894	2 509
Interest cost	2 070	1 835
Actuarial losses / (gains)	418	1 307
Employer Benefit Vesting	(2 797)	(3 534)
Present Value of Fund Obligation at the end of the year	**29 473**	**26 887**

The amount recognised in the Statement of Financial Position are as follows:		
Present value of unfunded obligations	**29 473**	**26 887**

The amount recognised in the Statement of Financial Position are as follows:		
Current service cost	2 894	2 509
Interest cost	2 070	1 835
Actuarial losses / (gains)	418	1 307
Total Post-retirement Benefit included in Employee Related Costs	**5 382**	**5 651**

History of liabilities	**30 June 2013**	**30 June 2014**	**30 June 2015**	**30 June 2016**
Accrued Liability	21 621	24 770	26 887	29 473

Sensitivity Analysis on Current-service and Interest Costs for the year ending 30 June 2016 - Assumptions & Changes	**Current - service cost**	**Interest cost**	**Total**
General assumptions	2 894	2 070	4 964
General salary inflation (+1%)	3 183	2 234	5 417
General salary inflation (-1%)	2 639	1 923	4 562
Discount rate (+1%)	2 656	2 154	4 810
Discount rate (-1%)	3 168	1 967	5 135
Average retirement age (-2 yrs)	2 647	1 851	4 498
Average retirement age (+2 yrs)	3 136	2 279	5 415
Withdrawal rates (-50%)	3 996	2 562	6 558
	-	-	-

Sensitivity Analysis on Unfunded Accrued Liability (in R millions)for the year ending 30 June 2016 - Assumptions & Changes	**Liability**
General assumptions	29 473
General salary inflation (+1%)	31 673
General salary inflation (-1%)	27 495
Discount rate (+1%)	27 428
Discount rate (-1%)	31 791
Average retirement age (-2 yrs)	26 547
Average retirement age (+2 yrs)	32 189
Withdrawal rates	36 006
	-

Certain amounts were reclassified to improve disclosure.

Figures in Rand Thousand

19 PAYABLES

Trade Creditors	329 915	362 840
Payments received in Advance	83 585	72 927
Retentions	62 440	60 370
Staff Leave Accrued	41 786	35 323
Sundry Deposits	2 468	2 270
Other Creditors	34 930	25 497
Accrued bonus	15 466	13 276
Unallocated deposit	43 897	65 429
Total Creditors	**614 486**	**637 932**

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiaited by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

20 FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	6 755	8 257
- in second to fifth year inclusive	-	6 755
Present value of minimum lease payments	6 755	15 012
Present value of minimum lease payments due		
- within one year	6 755	8 257
- in second to fifth year inclusive	-	6 755
	6 755	**15 012**
Non-current liabilities	-	6 755
Current liabilities	6 755	8 257
	6 755	**15 012**

Finance Lease Liabilities relates to IT Equipment with lease terms of 36 months. The effective interest rates on Finance Leases is 10%. Capitalised Lease Liabilities are secured over the items of IT equipment leased.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

21 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:		
National Government Grants - Department of Water, Agriculture and Forestry (DWAF)	358	132
National Government Grants - Skills Levy	572	572
National Government Grants - Public Transport Infrastructure System Grant (PTIS)	155 914	349 047
National Government Grants - Public Transport Network Grant (PTNG)	60 316	-
National Government Grants - Department Minerals and Energy (DME)	7 493	4 894
National Government Grants - Financial Management Grant (FMG)	13	13
National Government Grants - Municipal Infrastructure Grant (MIG)	(4 360)	39 700
National Government Grants -Municipal System Improvement Grant (MSIG)	52	47
National Government Grants - Municipal Water Iinfrastructure Grant (MWIG)	2 387	-
Provincial Government Grants - Department of Sports,Arts and Culture (DSAC Library)	1 458	919
Provincial Government Grants - Housing Project Account	14 052	19 033
Provincial Government Grants - Department Sports, Arts and Culture (DSAC)	35	35
Provincial Government Grants - COGTA	2 031	2 031
Provincial Government Grants - Extended Public Works Programme (EPWP)	4 835	4 835
Provincial Government Grants - LG Seta	1 146	514
Local: BPDM: Cleaning of cemeteries/ LED business	13	13
Other:Royal Bafokeng: Western By-pass	4 564	4 564
Other: National Lottery	12	12
Other: Seed Funding	422	422
Other	7 544	7 544
Other: EEDG	25	25
Other: SP	-	2
Other: Grant Renovation Old Marikana House	7	7
Other: NSCOOP	89	89
	258 978	**434 450**

See note for reconciliation of grants from National/Provincial Government.

Figures in Rand Thousand

23 PROPERTY RATES

	Actual Levies 2016 R	2015 R
Residential	123 377	116 961
Commercial	132 035	122 486
Agricultural	11 629	14 737
State	15 804	10 350
Total Property Rates	**282 845**	**264 534**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014. Supplementary valuations are processed on a monthly basis to take into account changes to individual property values due to alterations and subdivisions.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

24 GOVERNMENT GRANTS AND SUBSIDIES

	2016 R	2015 R
National Equitable Share	399 145	333 249
INEG	7 402	2 814
National - Financial Management Grant	1 600	1 587
Provincial- Seta: EPWP training	3 384	4 983
Provincial- Department of Sports, Arts & Culture	-	-
Other: NSCOOP	-	322
Other: Donation School of Excellence	-	-
Provincial- LG Seta	487	1 423
Operational Grants	**412 018**	**344 378**
National: MIG	207 103	213 725
National: MSIG	925	887
National: DWAF	6 775	4 868
National- Department of Minerals & Energy (DME)	-	-
National- Public Transport Infrastructure (PTIS)	-	432 386
National - Public Transport Network Grant (PTNG)	492 252	-
National - Municipal Water Iinfrastructure Grant (MWIG)	9 612	-
National - Accelerated Community Infrastructure Program	4 611	-
Provincial Department of Sports, Arts & Culture DSAC Library)	1 460	717
Provincial: Renovation old Marikana house	-	-
Provincial - Housing Project Account	6 181	-
Grants from Private Org - Housing DPLG	-	2 898
Grants from Private Org - EEDG	-	1 930
Capital Grants	**728 919**	**657 411**
Total Government Grants and Subsidies	**1 140 937**	**1 001 789**

Figures in Rand Thousand

Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	412 018	344 378
Conditions met - transferred to Revenue: Capital Expenses	728 919	657 411
Total Transfers	**1 140 937**	**1 001 789**

Operational Grants:

24.1 National: Equitable Share	**399 145**	**333 249**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority.

24.2 National: FMG Grant

Balance unspent at beginning of year	13	1 600
Current year receipts	(1 600)	(1 587)
Conditions met - transferred to Revenue: Operating Expenses	1 600	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	**13**	13

Conditions still to be met - remain liabilities. The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

24.3 National: MIG Funds

Balance unspent at beginning of year	39 700	87 232
Current year receipts	202 743	196 593
Conditions met - transferred to Revenue: Operating Expenses	(207 103)	(213 725)
Roll-over not allowed	(39 700)	(30 400)
	(4 360)	**39 700**

Conditions still to be met - remain liabilities.
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure.

24.4 National: MSIG Funds

Balance unspent at beginning of year	47	-
Current year receipts	930	934
Conditions met - transferred to Revenue: Capital Expenses	(925)	(887)
	52	**47**

Conditions still to be met - remain liabilities

24.5 National: Department Water Affairs and Forestry (DWAF)

Balance unspent at beginning of year	132	-
Current year receipts	7 000	5 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(6 775)	(4 868)
Conditions met - transferred to Revenue: Capital Expenses	-	-
	357	**132**

Conditions still to be met - remain liabilities

24.6 National: Department Minerals and Energy (DME)

Balance unspent at beginning of year	4 894	4 708
Current year receipts	10 000	3 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(7 402)	(2 814)
Conditions met - transferred to Revenue: Capital Expenses	-	-
	7 492	**4 894**

Conditions still to be met - remain liabilities.
Expenses were incurred to promote rural development and upgrade electricity infrastructure.

24.10 National: Public Transport Infrastructure

Balance unspent at beginning of year	349 047	261 434
Current year receipts	-	520 000
Conditions met - transferred to Revenue: Operating Expenses	-	(432 387)
Rollover not allowed	(193 134)	-
	155 913	**349 047**

Conditions still to be met - remain liabilities.
The grant was received to assist municipalities to create and improve public transport systems in line with the National Land Transport Act (2009) and the Public Transport Strategy. This includes all integrated public transport network infrastructure, such as bus rapid transit systems, conventional bus services and upgrades for pedestrain and cycling infrastructure. It also subsidise .the operation of these services.

24.11 Provincial: Department Sports, Arts and Culture (DSAC)

Balance unspent at beginning of year	919	966

Figures in Rand Thousand

Current year receipts	2 000	670
Conditions met - transferred to Revenue: Operating Expenses	(1 461)	(717)
Conditions met - transferred to Revenue: Capital Expenses	-	-
	1 458	**919**

Conditions still to be met - remain liabilities.
The grant was received to transform rural and urban community library infrastructure, facilities and services (primarily targeting previously disadvantage communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

24.13 Provincial: COGTA

Balance unspent at beginning of year	2 031	4 929
Current year receipts	-	-

Figures in Rand Thousand

Conditions met - transferred to Revenue: Operating Expenses	-	(2 898)
	2 031	**2 031**

Conditions still to be met - remain liabilities.
The grant was utilised for the maintenance of roads in the jurisdiction area of the municipality.

24.14 Provincial: Extended Public Works Programme (EPWP)

Balance unspent at beginning of year	4 835	5 208
Current year receipts	3 384	4 611
Conditions met - transferred to Revenue: Operating Expenses	(3 384)	(4 984)
Other Transfers: Grant debtor	-	-
	4 835	**4 835**

Conditions still to be met - remain liabilities.
The grant was used to incentivise provincial departments to increase job creation efforts in infrastructure, enviroment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with EPWP guidelines.

24.15 Provincial: LG Seta

Balance unspent at beginning of year	514	17
Current year receipts	1 119	1 920
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(487)	(1 423)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers: Grant debtor	-	
	1 146	**514**

Conditions still to be met - remain liabilities.
This grant was utilised to construct a training centre for pupils of the fire services division.

24.16 Local: BPDM: Cleaning of cemeteries/ LED Business Plans & other

Balance unspent at beginning of year	13	13
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
	13	**13**

Conditions still to be met - remain liabilities
This grant is received from disctrict municipalities for the cleaning of cemetries, LED business plans and various other initiatives.

24.17 Other: Royal Bafokeng: Western By-pass

Balance unspent at beginning of year	4 564	4 564
	4 564	**4 564**

Conditions still to be met - remain liabilities
This grant was received with regards to the Western Bypass at the Royal Bafokeng Stadium, in order to ensure that the bypass made the stadium more accessible during the FIFA 2012 Soccer World Cup.

24.19 Other: National Lottery

Balance unspent at beginning of year	12	12
	12	**12**

This grant was received from the National Lottery for the upgrading and maintaining of hospice facilities.

24.20 Other: Seed Funding

Balance unspent at beginning of year	422	422
Conditions met - transferred to Revenue: Capital Expenses	-	-
	422	**422**

Conditions still to be met - remain liabilities
This grant was utilsed for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

24.21 Other - EEDG

Balance unspent at beginning of year	25	1 955
Current year receipts		-
Conditions met - transferred to Revenue: Operating Expenses		(1 930)
Conditions met - transferred to Revenue: Capital Expenses		
	25	**25**

Conditions still to be met - remain liabilities

The grant funds selected municipalities to implement energy-efficiency projects, with A focus on public lighting and energy-efficient municipal infrastructure.

24.22 National: MWIG

Figures in Rand Thousand

Balance unspent at beginning of year	-	-
Current year receipts	12 000	-
Conditions met - transferred to Revenue: Operating Expenses	(9 612)	-
Conditions met - transferred to Revenue: Capital Expenses		
	2 388	**-**

Conditions still to be met - remain liabilities
The purpose of this grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service

24.23 National: PTNG

Balance unspent at beginning of year	-	-
Current year receipts	552 567	-
Conditions met - transferred to Revenue: Operating Expenses	(492 252)	-
Conditions met - transferred to Revenue: Capital Expenses		
	60 315	**-**

Conditions still to be met - remain liabilities

24.24 Provincial: Housing

Balance unspent at beginning of year	19 033	19 033
Current year receipts	1 199	-
Conditions met - transferred to Revenue: Operating Expenses	(6 180)	-
Conditions met - transferred to Revenue: Capital Expenses		
	14 052	**19 033**

Conditions still to be met - remain liabilities

24.25 National: Skills Levy

Balance unspent at beginning of year	572	572
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses		
	572	**572**

Conditions still to be met - remain liabilities

24.26 Provincial: DSAC

Balance unspent at beginning of year	35	35
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses		
	35	**35**

Conditions still to be met - remain liabilities

24.27 Other: Grant Renovation Old Marikana House

Balance unspent at beginning of year	7	7
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses		
	7	**7**

Conditions still to be met - remain liabilities

24.28 Other: NSCOOP

Balance unspent at beginning of year	89	89
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses		
	89	**89**

Conditions still to be met - remain liabilities

24.29 Other

Balance unspent at beginning of year	7 544	7 544
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses		
	7 544	**7 544**

Conditions still to be met - remain liabilities

Figures in Rand Thousand

Money received from local business in the promoting to various business ventures.

24.30 National: ACIP

Balance unspent at beginning of year	-	-
Current year receipts	4 611	-
Conditions met - transferred to Revenue: Operating Expenses	(4 611)	-
Conditions met - transferred to Revenue: Capital Expenses		
	-	**-**

Conditions still to be met - remain liabilities

Money received from local business in the promoting to various business ventures.

25 SERVICE CHARGES

Sale of Electricity	1 671 424	1 512 740
Sale of Water	314 259	356 670
Refuse Removal	100 157	91 185
Sewerage and Sanitation Charges	107 142	77 278
Other Service Charges	-	-
Total Service Charges	**2 192 982**	**2 037 873**

The amount disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

26 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Amenities	984	1 161
Rental Revenue from Buildings	3 958	3 182
Rental Revenue from Halls	1 149	1 050
Rental Revenue from Land	2 176	1 183
Rental Revenue from Other Facilities	780	643
Total Rental of Facilities and Equipment	**9 047**	**7 219**

27 INTEREST EARNED

External Investments:	31 893	31 840
Finance leases	276	282
Interest received - other		89
	32 169	**32 211**
Outstanding Debtors:		
Outstanding Billing Debtors	143 784	132 936
	143 784	**132 936**
Total Interest Earned	**175 953**	**165 147**

28 OTHER INCOME

Building Plan Fees	551	951
Bank charges recovered	204	188
Application for clearance certificate	723	829
Service connections	2 194	3 805
Reconnection fees	7 686	5 554
Network upgrade contributions	1 968	4 093
Cemetery Fees	766	975
Advertising Signs	1 288	1 350
Legal Cost Recovered	71	119
Photocopies	110	122
Tender Documents	1 331	1 077
Town Planning Fees	61	60
Surplus cash	11	13
Sundry Income	28 752	8 220
Swimming pool fees	298	139
Stale Cheques	-	7 546
Total Other Revenue	**46 014**	**35 041**

29 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	**407 308**	**384 295**
Basic Salaries and Wages	350 244	333 147
Annual Bonus	24 381	22 514
Medical aid - company contributions	32 683	28 634
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	**77 280**	**67 153**
Group Life	254	245
Medical	-	-
Pension	63 325	55 345
Industrial Council Levy	159	145
Other long-term employees benefits: Long-service	2 167	811
Skills Development Levy	4 976	4 071
Leave pay provision charge	-	-
UIF	3 207	3 103
Workmen's Compensation	3 192	3 433

Figures in Rand Thousand

Travel, Motor Car, Accommodation, Subsistence and Other Allowances	**21 059**	**21 371**
Allowances	21 059	21 371
Housing Benefits and Allowances	5 177	1 327
Overtime Payments	37 299	29 526
Performance Bonuses	-	-
Other Employee Cost	26 368	18 618
Defined Benefit Plan Expense	22 085	20 763
Total Employee Related Costs	**596 575**	**543 053**

30 Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	1 905	1 559
Acting Allowance	68	93
Company Contributions to UIF, Medical and Pension Funds	21	18
Total	**1 994**	**1 670**

Remuneration of the Chief Financial Officer

Annual Remuneration	1 368	1 041
Car and Other Allowances	165	180
Company Contributions to UIF, Medical and Pension Funds	78	273
Total	**1 611**	**1 494**

Remuneration: Director: Planning and Development

Annual Remuneration	1 104	1 165
Car and Other Allowances	120	84
Company Contributions to UIF, Medical and Pension Funds	112	240
Total	**1 336**	**1 489**

Remuneration: Director: Corporate Services

Annual Remuneration	1 337	1 223
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	79	140
Total	**1 416**	**1 363**

Remuneration: Director: Local Economic Development

Annual Remuneration	1 237	1 178
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	14	14
Total	**1 251**	**1 192**

Remuneration: Director: Public Safety

Annual Remuneration	1 135	1 094
Car and Other Allowances	84	84
Company Contributions to UIF, Medical and Pension Funds	31	309
Total	**1 250**	**1 487**

Remuneration: Director: Infrastructure Development

Annual Remuneration	861	828
Car and Other Allowances	246	231
Company Contributions to UIF, Medical and Pension Funds	250	388
Acting Allowances	683	13
Total	**2 040**	**1 460**

Remuneration: Director: Community Development

Annual Remuneration	1 245	966
Car and Other Allowances	84	120
Company Contributions to UIF, Medical and Pension Funds	34	240
Acting Allowances	27	-
Total	**1 390**	**1 326**

Remuneration: Chief Operating Officer

Annual Remuneration	1 532	1 478
Car and Other Allowances	108	108
Company Contributions to UIF, Medical and Pension Funds	42	234
Total	**1 682**	**1 820**

Remuneration: Director Rust Rapid Transport

Annual Remuneration	-	98
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	15	1
Acting Allowance	1 061	1 198
Total	**1 076**	**1 297**

Figures in Rand Thousand		
Remuneration: Director Rust Rapid Transport		
Annual Remuneration	-	-
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	-	-
Acting Allowance	218	-
Total	**218**	**-**
Total employee related cost	**611 839**	**557 651**

Figures in Rand Thousand

30 REMUNERATION OF COUNCILLORS

Mayor	943	903
Speaker	651	620
Chief Whip	601	562
Mayoral Committee Members	6 885	5 915
Councillors	16 271	16 692
Company Contributions to UIF, Medical and Pension Funds	2 967	2 900
Total Councillors' Remuneration	**28 318**	**27 592**

31 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	-	338 653
Amortisation: Intangible Assets	-	521
Depreciation: Investment Property	-	7 672
	-	
Total Depreciation and Amortisation	**-**	**346 846**

32 IMPAIRMENT LOSSES

32.1 Impairment Losses on Fixed Assets

Property, Plant and Equipment	-	778
Property, Plant and Equipment Reversals	-	(673)
Intangible assets	-	14
	-	**119**

32.2 Impairment Losses - Other

Inventories	-	1 861
Trade and other receivables	-	424 712
Trade and other receivables Reversals	-	-
	-	**426 573**
Total Impairment Losses	**-**	**426 692**

33 FINANCE COSTS

Finance Leases	1 129	1 912
Loans and Payables at amortised cost	53 383	43 086
Total Interest Expense	54 512	44 998

34 BULK PURCHASES

Electricity	1 413 192	1 269 659
Water	273 398	245 882
Total Bulk Purchases	**1 686 590**	**1 515 541**

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from Rand Water and Magalies Water.

Figures in Rand Thousand

35 CONTRACTED SERVICES

Professional Fees	54 326	44 979
Security Services	13 951	20 499
Valuation Services	143	1 266
Other Contracted Services	89 618	166 500
Total Contracted Services	**158 038**	**233 244**

36 GRANTS AND SUBSIDIES PAID

Community Projects	2 631	492
Rustenburg Water Services Trust	26 520	26 142
Total Grants and Subsidies	**29 151**	**26 634**

37 GENERAL EXPENSES

Included in General Expenses are the following:		
Advertising	1 221	1 337
AVM Online Vending Service	30 650	24 693
Audit Fees	5 876	6 221
Assets written off	-	3 338
Bad Debts Written Off	1 896	-
Bank Charges	4 135	5 505
Consumables	2 161	1 269
Donations	-	150
Consumption expenditure	10 971	12 943
Chemicals	594	384
Entertainment	75	71
Insurance	8 139	5 846
Legal Costs	2 156	800
License fees	852	2 414
Marketing Costs	216	1 903
Printing and stationery	13 287	1 388
Postage and Telegrams	1 653	11 012
Printing of license cards	1 698	1 809
Telephone Cost	7 354	7 555
Subscriptions and membership fees and levies	5 310	4 915
Transport Costs	31 965	36 689
Travelling and Subsistence	871	5 309
Ward Committee Management	3 947	4 390
Contribution for landfill sites	24 739	1 196
Other General Expenses	16 558	47 796
Total General Expenses	**176 324**	**188 933**

The amounts disclosed above for Ither General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

38 PRIOR PERIOD ERROR

The following Prior period error corrections were done for the 2014 financial year:

All operating lease receivables were not recorded according to the inception date of the lease agreements. The correction resulted in a decrease in Operating lease Receivables of R489, a decrease in Retained Earnings of R429 and a decrease in Rental of facilities of R60.

Operating lease liabilities were not recorded according to the inception date of the lease agreements. The correction resulted in an increase in Operating lease liabilitiesof R3, and an increase in General Expenses of R3

Errors were identified in the billing of service charges as a result of incorrect meter readings, estimates, faulty meters and change of ownership. The correction resulted in a decrease in Receivables from Exchange transactions and Service charge income of R10 000 , and a decrease in Receivables from nonexchange transactions and Revenue from non-exchange transactions Rates of R486.

All Payables from exchange transactions were not recorded in the correct financial year. The correction resulted in an increase in Payables from exchange transactions of R22 and an increase in General expenses of R22.

Finance leases liabilities were not recorded according to the installment of the lease agreement. The correction resulted in an increase in Finance Lease liabilities of R8 and an increase in Finance Leased Assets of R8

Contingent assets decreased with R10 798 and contingent liabilities increased with R9 167 due to findings raised in prior year management report of items not disclosed and incorrectly disclosed.

Grant Revenue was allocated on the Housing Grant as the municipality and the Department of Human Settlements agreed that interest on the account belongs to the municipality, which resulted in a decrease in Unspent Grants of R3 985 and increase in Grant Revenue of R3 985.

Grant Revenue was allocated for the LG-Seta Grant in the current year which related to previous years. This resulted in a decrease in Grant Revenue of R142 and an Increase in Retained Earnings of R142

The following Prior period error corrections were done for the 2015 financial year as reflected below in tables:

All operating lease receivables were not recorded according to the inception date of the lease agreements. The correction resulted in a decrease in Operating lease Receivables of R94 and a decrease in Rental of facilities of R94.

Operating lease liabilities were not recorded according to the inception date of the lease agreements. The correction resulted in an increase in Operating lease liabilitiesof R1, and an increase in General Expenses of R1

Figures in Rand Thousand

Finance leases liabilities were not recorded according to the installment of the lease agreement. The correction resulted in an increase in Finance Lease liabilities of R31 and an increase in Finance Leased Assets of R31

Errors were identified in the billing of service charges as a result of incorrect meter readings, estimates, faulty meters and change of ownership. The correction resulted in a decrease in Receivables from Exchange transactions and Service charge income of R13 724 , and a decrease in Receivables from nonexchange transactions and Revenue from non-exchange transactions Rates of R1 758.

The bonus accrual was corrected as a result of prior year audit findings The correction resulted in a decrease in Payables from exchange transactions and employee cost of R32.

Councillors Remuneration was corrected as a result of prior year audit findings. The correction resulted in an increase in Payables from exchange transactions and councillors remuneration of R633

All Payables from exchange transactions were not recorded in the correct financial year. The correction resulted in an increase in Payables from exchange transactions of R27 032 and an increase in General expenses of R182, Contracted services of R1 578, Repairs and maintenance of R17 426 and and increase in PPE of R7 846.

Stock was adjusted due to price adjustments on the previous year's stores issues resulting in a decrease in Inventory of R66 and an increase in General Expense of R66

Grant Revenue was allocated on the Housing Grant as the municipality and the Department of Human Settlements agreed that interest on the account belongs to the municipality, which resulted in a decrease in Unspent Grants of R563 and increase in Grant Revenue of R563.

Grant Revenue was allocated for the LG-Seta Grant in the current year which related to previous years. This resulted in a decrease in Grant Revenue of R1 018 and an Increase in Retained Earnings of R1 018

Intangible Assets was corrected as a result of prior year audit findings. The correction resulted in an increase in Intangible assets and decrease in impairment of R14

Payables was corrected as a result of prior year audit findings. The correction resulted in an decrease in Retained Earnings and Payables of R402

Inventory was corrected as a result of prior year audit findings. The correction resulted in an increase in Retained Earnings and Inventory of R7

Employee Costs was corrected as a result of prior year audit findings. The correction resulted in an increase in Employee Costs and Payables from Exchange Transactions of R115

Inventory was corrected as a result of prior year audit findings. The correction resulted in an increase in Inventory and a decrease in Impairment of R682

Additional VAT relating to prior years were identified which was claimed on VAT 201 reports that resulted in a decrease in VAT payable of R11 451 and an increase in Retained Earnings of R11 451.

Contingent assets decreased with R45 and contingent liabilities increased with R342 due to findings raised in prior year management report of items not disclosed and incorrectly disclosed.

The correction of errors results in adjustments as follows	2015	2014
Statement of financial position - 2015 and 2014 years figures are displayed		
Decrease in Operating Lease Receivables		489
Decrease in Retained Earnings		429
Decrease in Operating Lease Receivables	94	
Increase in Operating Lease Liabilities		3
Increase in Operating Lease Liabilities	1	
Increase in Finance Lease Liabilities	31	8
Increase in Finance Lease Assets	31	8
Decrease in Inventory	66	
Decrease in Unspent Grants	563	3 985
Increase in Retained Earnings	1 018	142
Decrease in receivables from exchange transaction	13 724	10 000
Decrease in receivables from non-exchange transaction	1 758	486
Increase in payables from exchange transactions	27 032	22
Decrease in payables from exchange transactions	32	
Increase in payables from exchange transactions	633	
Increase in Intangible Assets	14	
Decrease in payables from exchange transactions	402	
Decrease in Retained Earnings	402	
Increase in Retained Earnings	7	
Increase in Inventory	7	
Increase in payables from exchange transactions	115	
Increase in Inventory	682	
Decrease in VAT Payable	11 451	
Increase in Retained Earnings	11 451	

	2015	2014
Statement of Financial Performance - 2015 and 2014 years figures are displayed here		
Decrease in Rental of facilities		60
Decrease in Rental of facilities	94	
Increase in General Expenses		3
Increase in General Expenses	1	
Increase in General Expenses	66	
Increase in Grant Revenue	563	3 985
Decrease in Grant Revenue	1 018	142
Decrease in Service Charges	13 724	10 000
Increase in General Expenses	182	22
Increase in Repairs and Maintenance	17 426	
Increase in Contracted Services	1 578	

Figures in Rand Thousand

Increase in PPE	7 846
Decrease in Employee Costs	32
Increase in councillors remuneration	633
Decrease in Impairment	14
Increase in Employee Costs	115
Decrease in Impairment	682

Notes to the financial statements	2015	2014
Contingent liabilities increased	342	9 167
Contingent assets decreased	45	10 798
	387	**19 965**
Errors and Cassification Errors in Note 39. Net differences indicated indicated a decrease of		**12 486**

39 CASH GENERATED BY OPERATIONS

Surplus (deficit)	140 979
Adjustments for:	
Depreciation and amortisation	346 846
Loss on sale of assets and liabilities	(368)
Fair value adjustments	(42)
Impairment deficit	426 693
Movements in operating lease assets and accruals	(83)
Movements in retirement benefit assets and liabilities	7 059
Movements in provisions	3 313
Grant received in kind	(83 454)
Actuaries gains and losses	(12 397)
Changes in working capital:	
Inventories	1 524
Receivables from exchange transactions and nonexchange nd other receivables	(401 142)
Payables from exchange transactions and non exchange and other payables	155 696
Cash generated by / (utilised in) Operations	**584 624**

40 RISK MANAGEMENT

Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 7, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 16 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio's

The gearing ratio at the year-end was as follows:

Debt	(499 590)	(521 393)
Cash and Cash Equivalents	226 202	480 007
Net Debt	**(273 388)**	**(41 386)**

Debt is defined as Long- and Short-term Liabilities

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
Credit Risk
Liquidity Risk; and
Market Risk.

Risks and exposures are disclosed as follows:

Market Risk
The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

Credit Risk
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term receivables, other debtors, bank and cash balances.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Investments/Bank, Cash

Refer to http://www.fidfund.co.za/banking-options/bank-credit-ratings/ for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with it's investment policy. Consequently, the municipality is not exposure to any significant credit risk

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures

• The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
• A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
• The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
• The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
• Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters

Figures in Rand Thousand

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2016**	**2015**
Finance Lease Receivables	2 450	2 525
Receivables from exchange transactions	731 410	336 512
Receivables from non-exchange transactions	104 282	36 449
Cash and cash equivalents	226 202	480 007

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists tohedge volatilities in the interest rate market. Interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with wellestablished financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Foreign exchange risk

The municipality undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

41 GOING CONCERN

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42 EVENTS AFTER THE REPORTING DATE

Figures in Rand Thousand

No material events occurred with respect to the 2015/2016 financial year end after the date of the statement of financial position in respect of loans, investments and any other aspects.

43 UNAUTHORISED EXPENDITURE

	2016	2015
Opening balance	564 023	838 057
Unauthorised Expenditure current year	19 987	13 394
Authorised during the financial year	-564 023	(287 428)
	19 987	564 023

Disclosure of unuathorised expenditure were retrospectively done per department level.

Unauthorised expenditure for the current year relates to the following departments:

Budget and Treasury	-	-
Community Development	-	-
Corporate Support Services	-	1 244
Council	5 000	-
Local Economic Development	-	712
Municipal Manager	-	-
Planning and Human Settlements	-	-
Public Safety	14 987	11 438
Rustenburg Rapid Transport	-	-
	19 987	13 394

44 FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance	537	-
Expenditure incurred during the year	894	537
Written off / recovered during the financial year	-	-
	1 431	**537**

Expenditure incurred during the year resulted from interest paid on late payments of suppliers to the value of R894. The matters is currently under investigation, no disciplinary steps taken to date.

45 IRREGULAR EXPENDITURE

Opening Balance	3 300 020	2 642 131
Expenditure incurred during the year	747 117	657 889
Written off during the financial year	(2 156 672)	
Recovered during the financial year		
	1 890 465	**3 300 020**

Details of irregular expenditure – current year	Status of investigation and diciplinary hearings	
Irregular expenditure in terms of Treasury regulations	XXXX Cases are being investigated, no disciplinary hearings have been under taken.	XXX
Contract expired and continued Contract expired and continued with service.	XXXX Cases are being investigated, no disciplinary hearings have been under taken.	XXX
Final contract payments exceeded the original contract value.	XXXX Cases are being investigated, no disciplinary hearings haven been under taken. (Limited to capital projects, which includes expired capital contracts)	XXX

Details of irregular expenditure – current year	Status of investigation and diciplinary hearings	
Irregular expenditure in terms of Treasury regulations	1287 Cases are being investigated, no disciplinary hearings have been under taken.	576 953
Contract expired and continued Contract expired and continued with service.	17 Cases are being investigated, no disciplinary hearings have been under taken.	80 523
Final contract payments exceeded the original contract value.	29 Cases are being investigated, no disciplinary hearings have been under taken. (Limited to capital projects, which includes expired capital contracts).	413
		657 889

Rustenburg Local Municipality undertook an extensive review of irregular expenditure from the period 2010/2011 to date to address the completeness of disclosure of irregular expenditure. In cases where the information for financial years pre-2013-2014 was not available to determine whether all procurement processes were followed such were identified as irregularexpenditure and flagged for investigation.

46 FAIR VALUE ADJUSTMENTS

	2 016	2 015
Other financial assets	-	42
Other financial assets	-	**42**

Figures in Rand Thousand

47 COMMITMENTS

Commitments in respect of Capital Expenditure	2016	2015
Approved and contracted for:	**1 059 348**	**559 716**

48 CONTINGENT LIABILITIES

ABSA Trust & Others / RLM. The applicant has now withdrawn the matter and tendered costs. Estimate of costs is to finilise the matter amounts to R15	-	15
Claim by Othusitse Rapoo against RLM Applicant is alleging discrimination of the grounds of victimization.The matter is awaiting date from the court.	-	123
Claim by Othusitse Rapoo against RLM The application is alleging discrimination of the grounds of mental illness. The matter is now awaiting pre-trial conference.	-	110
Claim by Othusitse Rapoo against RLM Review application of the SALGBC's award for dismissal of Application's alleged unfair labour dispute. Heads of agreements are being filed as no reply was received from Applicant.	-	115
Claim by Michael Sibongile Mabena for Vandalism to property (3 Vodacom Public Phones Containers) by Rustenburg Local Municipality (Traffic Officers). We were waiting for the complainant to issue summons if any, against the municipality.	-	80
Claim by Thomas Alexander Brough and Others against RLM for Demolishing of structures. We were waiting for the complainant to issue summons if any, against the Municipality.	300	300
Claim by HN Engelbrecht against RLM for Damages of watermelons in the amount of R10. We were waiting for the complainant to issue summons if any, against the Municipality.	-	20
Claim for compensation for injuries sustained by Ben Loyd Molapo as a result of severe electric burns when the Plaintiff stepped on a fallen electric cable. Parties are still exchanging pleadings.	-	200
Captain Sterling/RLM. Court order to Restrain RLM to interdict the construction of RRT Route at R510 road due to the allegations of the absence of the Water Use Licence as required by the National Water Act. The applicant applied for Rule 35 (to inspect documents referred to in our papers). Matter still pending.	-	300
RLM against Mwenzui Service Station . Notice of motion has been issued and served. The application will be made on 4 June 2015 if the matter is unopposed. The Respondents have filed the notice of intention to oppose. Awaiting date of the hearing of the application.	-	70
KE Enterprises CC / RLM. Interdict against RLM not to release the retention money to Mozadem Civils in respect of Ikemeleng water reticulation project	-	200
RLM / A Tayob. Eviction order has been granted in favour of (Applicant) RLM. The Respondent (A Tayob) has however filed the application for leave to appeal.	300	300
Unisoft (Pty) Ltd / RLM. Council was informed telephonically by the Plaintiff's attorneys that they are withdrawing as attorney of record. We have not received notice of withdrawal.	-	200
RLM against Shaikh and Shaikh. Claim against the RLM arising out of alledge unlawful destruction of Property.Pleading have closed, awaiting trail date.	300	130
TORO YA Afrika / RLM. Claim against RLM for payment of R1,5 million for services of constructing housing development within Rustenburg. Pleading have closed, awaiting trail date.	300	130
UMSO Construction / RLM. The Applicant applied for Leave to Appeal and was dismissed. The applicant launched a Petition to the Chief Justice in the Supreme Court of Appeal applying for leave to appeal against the dismissal of their application. SCA has granted the Applicant leave to appeal. Awaiting the hearing for the appeal.	50	400
Munwatch / RLM. Application to compel RLM to furnish the information in terms of the Promotion of Access to information Act 2 of 2000, Parties are still exchanging pleadings.	30	30
Media Dawn/ RLM. RLM defended claim against alleged wrongful award of tender.	-	10
Robigyn (Pty) Ltd / RLM. Declaratory Order to compel the Respondent (RLM) to provide pre-paid meter systems for both electricity and water due to the allegtions that the latter is rendering inaccurate and improper invoices to the Applicant.	-	300
Bokaba's Refuse Removal / RLM. Dispute in respect of a claim for cost working days during civil unrest at Lethabong in the amount of R2 336 against the Engineers ruling for the amount of R236.	500	500
Moitse Lebogang / RLM . Demolishing of illegal structure and stopping to operate illegal business activity (Zake's Tavern) t House No. 1927 Mmupudu Street Unit B Tlhabane. Matter postponed to 02 July 2015.	-	50
Nkgweng Mapula / RLM. Demolishing of illegal structure and stopping to operate illegal business activity (Lazi's Tavern) at House No. 1311 Serobele Street Tlhabane. Matter postponed to 02 July 2015.	-	50
Vinah Mimbiri / RLM. Demolitionof illegal structures erected at ERF 82 Marikana Extension 4. Matter is still pending.	-	25
Mambo Julio Michaque / RLM. Demolishing of illegal structure and stopping to operate illegal business activity (Michaque's Tavern) at House No. 1851 Mooka Street, Tlhabane. Matter postponed to 02 July 2015.	-	50
Themba Samuel Mthembu / RLM. Stopping to operate illegal business activity (Tuck Shop) and demolishing of illegal accomodation at ERF 863, Mothuka Street, Tlhabane.	-	50
Sound Life Bible Church / RLM. Demolishing of illegal structure to wit Concrete Precast at Erf.14451 Boitekong Ext.15.	-	50
Salthiel Matsila and Others / RLM. Urgent Interdict and/ or restrain the Respondents from threatening and / or interfering with and/or hampering the RLM's officials in their process of allocating RDP Houses to the legitimate and lawful beneficiaries at Monakato. The matter was	-	400

Figures in Rand Thousand

Unit Managers / RLM. Both Parties have exchanged pleadings and the Applicants will now have to make arrangements for the pre-trail conference, indexing and paginating the court file and arranging for the matter to be set down for. The applicants have thus far not taken any further steps.	-	100
Ehcwawu obo Setlale and 7 others / RLM. Review application against the adverse Arbitration Award of the SALGBC. The Review Application has been served and was filed on the 4 June 2012. Record has been filed, Supplementary affidavit has been filed. Awaiting trail date.	-	60
Various / RLM. Notice of motion issued for 42 cases R20 each (2014:6 cases R10 each). Declaratory order restraining the unauthorised use of property as incorrect establishment.	840	60
Augustinus Thabang Mokoma / RLM. Urgent interdict to cause RLM to restore possession of the keys, licence taken and Rustenburg Trading licence of the vehicle Mercedes Benz Sprinter to the lawful owner. The Respondent filed the opposing papers to show cause why the Interim Order should not be made final. The matter is set for trail on 23 September 2015.	-	8
All the tenants of Plot 35 Waterval, Rustenburg / RLM. Application to cause RLM to restore electricity and water supply at Plot 35 Waterval, Rustenburg. On 17 June 2015, the matter was removed from unopposed rolland has been set for trail on 29 July 2015.	-	8
Leberegane Engineering Services CC / Ingplan Africa (Pty) Ltd / RLM. RLM has appointed the First Applicant for the construction of Apolo lights at various villages. Applicant is sub-contracted to the First Respondent and there is a dispute between the Parties over payment, hence joining of RLM in the application.	20	40
Action against IBD for declaring the sale agreement of land invalid and return of purchase price - High Court - Mafikeng. Application for joinder of Eskom granted and court order.	-	10 000
RLM/ Mdango Vincent and 21 Others. Apppeal Court referred matter back to High Court for filing further documents and joinder of Department of Land and Rural Development.	-	200
Various / RLM. 8 Cases of awaiting Sheriff's return of service and Warrant of Execution and Eviction.	-	125
Interdict against RLM not to release the retention money to Mozadem Civils in respect of Ikemeleng water reticulation project.		300
Summons issued against RLM for damages sustained as a result of a fire		10
Requested to advise and assist RLM on procedure to be followed to continue with road upgrades at Waterfall Mall on R24		6
Requested to assist RLM with advice and response to letter from attorney of Growthpoint regarding application for township development at X30, Portion 1of Farm Town and Townlands Rustenburg 272JQ		6
Eviction proceedings in terms of P.I.E. Act by R.L.M		10
Private Eviction proceedings in terms of PIE Act before Mafikeng High Court. Unlawful occupiers invoked the provisions of 7(1) of PIE Act and requested mediation and land / alternative accommodation through RLM		10
Action instituted by Telkom for damages sustained due to negligence by employees of RLM in damaging cables of Telkom.	40	
Nehemia Segoe / RLM & Another. Summons issued against RLM for damages sustained as a result of a fire	50	
SAMANCOR CHROME LIMITED / RLM. Application for declaratory order that:- (i) The approval of the amendment known as Amended Scheme 2012 of the Rustenburg Land Use Management Scheme, 2005 by RLM as declared in Local Authority Notice 31 as published on 24 March 2015 in the North West Provincial Gazette No. 7421 in terms of section 125 of the Town Planning and Township Ordinance, 1996 be reviewed and set aside. The declaration of Waterkloof East Extension 34 as an approved township in terms of section 103 of the Town Planning and Townships Ordinance 15 of 1996 by RLM as published on 31 March 2015 in Local Authority Notice 29 in the North West Provincial Gazette No. 7423 be reviewed and set aside.	100	
AGENCY FOR NEW AGENDA & OTHERS / RLM & OTHERS. Urgent High Court Application to order the removal of the	20	
KEIKO PRODUCTIONS CC & ANOTHER / RLM High Court Application to interdict RLM against taking further steps to invite tenders in relation to BID RLM/OEM/0049/2015/2016 and related relief	60	
SARASCOPE (PTY) LTD & OTHERS / RLM & ANOTHER High Court Application to review and set aside the cancellation of tender RLM/DTIS/0041/201415 – DELIVERY OF WATER TANKS	60	
JST Construction CC / RLM. A claim in respect of the design and construction: Extension of the CCTV monitoring unit as per BID No.: RLM/DPS/0043/2013/14.	350	
Telkom SA / RLM. Action instituted by Telkom SA for damages sustained allegedly due to negligence by employees of RLM in damaging 200PR underground cables for 60M ("telecommunications line") of at Kremetart Avenue, Geelhout Park.	100	
Venter Foods (Pty) Ltd t/a Fires Rustenburg / RLM. Spoliation application for the reopening of the business property and interdicting from closing the business.	100	
Gert and Maria Laubscher / RLM. Application for declaratory order that:- (i) The Applicants are declared not to be liable for 11KV High Tension service connection for electricity services and charges levied against their property, Portion 31 of the Farm Waterval 306 JQ. (ii) The electricity usage and electricity services charged as a result of 11KV service connection to the property be removed from the Applicants' municipal account together with the accrued interest billed on arrears accrued on the account due to non-payment. (iii) The Applicants are declared not to be indebted to the RLM in respect of any electricity services and/or electricity charges billed and/or related to the 11KV service connection levied on the municipal account in the Applicants' name linked to the property.	250	
RLM / All other persons invading and encroaching the Remaining Extent of the farm Rietspruit No. 83 JQ. Urgent application for Court Interdict against invaders of the property described as the Remaining Extent of the farm Rietspruit No. 83 JQ.	200	

Figures in Rand Thousand

Bogadi Gloria Thekwe and others / Ernst Dinale, RLM and Others. Application for claim of damages in respect of the property known as Erf. 2025 Geelhoutpark Ext 6, which is alleged to have extensive domestic refuse and therefore became unsuitable for residential purposes.	481	
FLEETMATICS. Claim to set aside and review procurement contracts to procure +/- R350 Million worth of vehicles. The risk is this sum.	1 500	
BHEKI KHENISA. Application to challenge the Municipal Manager's dismissal.	150	
	6 101	15 151

Landfill Sites:

The municipality does not have permits for the following

- Bethanie
- Lethabong
- Marikana
- Monnaka
- Phatsima

The municipality might be fined and penalised for operating unlicensed landfill sites by the Department of Environmental Affairs. However, municipality could not reliably estimate the probable fine that might be incurred as there are no known similar cases against other municipalities.

Contingent assets
The municipality has no contingent assets.

49 RELATED PARTIES

Relationships

Controlled entities	Refer to note 13
Members of key management and councillors	Refer to note 29 and 30

Related party balances

Loan accounts - Owing (to) by related		
Rustenburg Water Services Trust	2 450	2 525
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Rustenburg Water Services Trust	(58 890)	(28 732)

Related party transactions

Interest paid to (received From) related parties		
Rustenburg Water Services Trust	(276)	(282)
Purchases from (sales to) related parties		
Rustenburg Water Services Trust	93 041	89 775
Transfer payment / Grant & subsidy paid to (received from) related parties		
Rustenburg Water Services Trust	43 330	26 142
Transfer payment / Grant & subsidy (conditions met) by related party		
Rustenburg Water Service Trust	(43 330)	(26 142)

The transactions between the Rustenburg Local Municipality and the Rustenburg Water Services Trust is classified as related party transactions. The nature of the relationship is that Rustenburg Local Municipality is the sole beneficiary of the trust and has the right to appoint 4 representatives on the board of trustees.

Figures in Rand Thousand

50 ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water losses were as follows and are not recoverable:

Electricity	2016 Units (kWh)	2015 Units (kWh)
Purchased during the year	1 874 475	1 921 991
Sold during the year	(1 360 314)	(1 823 161)
Unaccounted - Normal distribution losses - % of electricity (2016 - 27.43%);(2015 - 5,14%)	514 161	98 830
Loss (R): At Cost	**510 879**	**65 287**

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters are replaced as sooon as they are reported.

Water	Units (kWh)	Units (kWh)
Purchased during the year	41 683	42 556
Sold during the year	(20 966)	(22 225)
Unaccounted - Normal distribution losses - % of water (2016 - 49.70%);(2015 - 47,78%)	20 717	20 331
Loss (R): At Cost	**135 683**	**121 389**

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

Audit fees

	2016	2015
Opening balance	52	460
Current year expense	5 876	6 221
Amount paid	(5 796)	(6 629)
	132	52
PAYE and UIF		
Current year expense	3 207	3 118
Amount paid	(3 207)	(3 118)
	-	-
Pension and Medical Aid Deductions		
Current year expense	98 974	88 604
Amount paid	(98 974)	(88 604)
	-	-

Councillors' arrear consumer accounts
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total**
Clr Ackerman C F	4	-	4
Clr Beukes E	1	-	1
Clr Beukes E	1	-	1
Clr Bisschoff I J	2	-	2
Clr Coetzee D L	1	-	1
Clr Coetzee M	1	-	1
Clr Dhlunge W	2	9	11
Clr Du Plessis G	1	-	1
Clr Edwards I	1	-	1
Clr Khunou M E	1	-	1
Clr Khunou M E	2	-	2
Clr Lebethe M J	2	21	23
Clr Marekoa- Kodongo B B	1	-	1
Clr Mashishi- Ntsime J	0	-	0
Clr Masilo Q S	0	-	0
Clr Mataboge A L	1	-	1
Clr Mataboge A L	4	-	4
Clr Mathudi R M	5	83	88
Clr Mhlungu S B M	1	-	1
Clr Miny C F M	1	-	1
Clr Mohube M M	1	-	1
Clr Mokoe	1	-	1
Clr Mokopo L E	2	21	23
Clr Molatlhegi P R	2	42	44
Clr Molotsi C N	3	12	15
Clr Mosome P K	5	30	35
Clr Motlhasedi R K	0	4	4
Clr Mpengu M L	0	-	0
Clr Mputle G J	2	-	2
Clr Mtyotywa E B	1	37	38
Clr Mutle G	2	19	20
Clr Mzizi J	2	7	9
Clr Omarjee M	2	-	2
Clr Phiri J M	0	-	0
Clr Poopedi J M	0	15	15
Clr Ramatlhapeng M L	1	14	15
Clr Segale M	0	1	1
Clr Segaole	1	2	3
Clr Segaole AB	12	-	12
Clr Serongoane H	1	2	3
Clr Smith L	1	-	1
Clr Tlhapi P I	2	67	69
Clr Tsamai A	1	-	1
Clr Vosloo J M	0	-	0
Clr Vosloo J M	1	-	1
Clr Vosloo J M	0	-	0
Clr Willemse M J	2	54	56
	79	**440**	**519**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total**
Clr Bisschoff IJ	2	-	2
Clr Breytenbach A	1	-	1
Clr Coetzee DL	4	3	7
Clr Coetzee MJ	1	-	1

Figures in Rand Thousand

Clr Du Plessis GJ	1	-	1
Clr Damoyi M	3	55	58
Clr Khunou ME	3	-	3
Clr Letshole MG	12	104	116
Clr Mathudi RM	22	101	123
Clr Masilo QS	1	2	3
Clr Mataboge AL	4	-	4
Clr Miny CFM	1	-	1
Clr Mokopo LE	3	55	58
Clr Mhlungu SBM	1	-	1
Clr Molotsi KS	3	39	42
Clr Mokowe LJ & NE	1	-	1
Clr Mosome JL	5	65	70
Clr Motlhasedi RK	-	19	19
Clr Motshegwe SM	2	2	4
Clr Mputle GJ	1	-	1
Clr Mtyotywa EB	7	78	85
Clr Mutle MG	5	51	56
Clr Mzizi J	2	30	32
Clr Omarjee M	1	-	1
Clr Poopedi JM	-	48	48
Clr Segale M	2	32	34
Clr Segaole CG & DR	2	4	6
Clr Segaole AB	3	-	3
Clr Sepotokele M	-	1	1
Clr Sithole EE	5	75	80
Clr Serongoane NJ	3	16	19
Clr Smith LJ	1	-	1
Clr Tsamai A	1	-	1
Clr Vosloo JM	6	-	6
Clr Vosloo EE & M	3	1	4
	112	**781**	**893**

51 BUDGET INFORMATION

Material differences between budget and actual amounts

Controlling Entity

Services Charges, Property rates
The reduction of revenue relates to the weak economic climate, including the effect of load shedding and the drive from customers to utilize alternative energy sources.

Fines
The increase in fines are due to enhanced presence and enforcement of municipal law enforcement and traffic services

Government grants and subsidies
Increase in the government grants and subsidies relates to conditional grants utilized during the year for projects completed.

Other Income
Increase in Other Income as a result of unallocated deposits transferred to revenue which were outstanding for more than three years

Personnel
Increase expenditure relates to additional staff being appointed and actuarial valuations

Finance Costs
Increase as a result of additional loans taken up in the 2014/15 financial year

Repairs and maintenance
Due to aging infrastructure on assets and increased maintenance required.

Contracted Services
Decrease due to utilization of internal personnel, cost containment measures and reduced reliance on consultants